



# N.C. Department of Transportation

Office of Inspector General

Gearing Up for Financial Survival !!

34<sup>th</sup> Community Transportation Conference

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# 14 Compliance Requirements

1. Activities Allowed or Unallowed
  2. Allowable Costs
  3. Cash Management
  4. Davis-Bacon Act \*
  5. Eligibility
  6. Equipment & Real Property
  7. Matching
  8. Period of Availability
  9. Procurement/Debarment
  10. Program Income
  11. Real Property Acquisition
  12. Reporting
  13. Subrecipient Monitoring
  14. Special Tests & Provisions
- Davis-Bacon Act applies only to federal projects. For state funded grants, the compliance requirement is replaced with “Conflict of Interest”.





# 14 Compliance Requirements

## Compliance Requirement: Activities Allowed or Unallowed

The specific requirements for activities allowed or unallowed are unique to each Federal/State program and are found in the laws, regulations, and the provisions of contract or grant agreements.

Key activities reviewed:

- Urban/Rural areas
- Purpose of trips





# 14 Compliance Requirements

## Compliance Requirement: Allowable Costs/Cost Principles

The following OMB cost principles circulars prescribe the cost accounting policies associated with the administration of Federal awards.

- OMB Circular A-87 (2 CFR part 225) for government entities
- OMB Circular A-122 (2 CFR part 230) for non-profits







# 14 Compliance Requirements

## Compliance Requirement: Allowable Costs/Cost Principles

Auditors may look for these items:

- Entertainment costs
- Alcoholic beverage purchases
- Legal expenses for prosecution of claims against the Federal Government
- Fund raising
- Lobbying costs
- Sales taxes that are reimbursed from another agency
- Double dipping with direct/indirect costs





# 14 Compliance Requirements

## Compliance Requirement: Cash Management

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from NCDOT. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds.

Interest earned on grant funds (such as ROAP) shall remain in the program.





# 14 Compliance Requirements

## Compliance Requirement: Cash Management

### Key activities reviewed:

- Vendors paid within 3 business days of receipt of NCDOT reimbursement.
- Reconciliation of advanced funds to actual expenditures.
- Interest earned on ROAP allocations are reported and remain in the ROAP program.





# 14 Compliance Requirements

## Compliance Requirement: Davis-Bacon Act

All laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 on federal projects must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor. (<http://www.dol.gov/whd/govcontracts/>)

For Public Transportation grants, this applies mainly to facility construction projects.







# 14 Compliance Requirements

## Compliance Requirement: Davis-Bacon Act

### Key activities reviewed:

- Prevailing wage rate clauses are included in contracts and subcontracts greater than \$2,000.
- Weekly certified payrolls were submitted by the prime contractor.
- Rates of pay for work classifications are equal to or greater than the applicable prevailing wage rates.





# 14 Compliance Requirements

## Compliance Requirement: Eligibility

Specific requirements for eligibility are found in the laws, regulations and grant agreement pertaining to the program. The requirement specifies the criteria for determining the individuals, groups of individuals (including area of service delivery), or subrecipients that can participate in the program.





# 14 Compliance Requirements

## Compliance Requirement: Eligibility

### Key activities reviewed:

- Process for determining eligibility
- Documentation exists justifying eligibility of participants
- Trip reports





# 14 Compliance Requirements

## Compliance Requirement: Equipment and Real Property Management

Equipment means tangible nonexpendable property purchased using federal funds having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Grantees shall use State laws and procedures for equipment acquired under a grant through NCDOT.

Real property shall be used for the originally authorized purpose as long as needed for that purpose.







# 14 Compliance Requirements

## Compliance Requirement: Equipment and Real Property Management

Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

The grantee shall not dispose of real property without prior consent of NCDOT.





# 14 Compliance Requirements

## Compliance Requirement: Equipment and Real Property Management

### Key activities reviewed:

- Fixed asset listing exists and an inventory count is performed at least once every two years.
- Adequate safeguards exist to prevent loss, damage, or theft of the equipment.
- Maintenance records exist and equipment is adequately maintained per manufacturer recommendations.
- Insurance proceeds are applied to the cost of replacing the damaged property or were returned to NCDOT.
- Disposition proceeds remain in the transportation program.





# 14 Compliance Requirements

## Compliance Requirement: Matching

The specific requirements for matching are found in the laws, regulations, and the provisions of the grant agreement.

Key elements reviewed:

- Required matching contributions were met and federal funds were not matched with federal funds.
- ROAP Rural General Public funds require a 10% match from passenger fare or local funds.





# 14 Compliance Requirements

## Compliance Requirement: Period of Availability

When a period of performance is specified, the grantee may charge only costs resulting from obligations incurred during the funding period.

Key elements reviewed:

- Transactions charged to the grant occurred within the period of performance.







# 14 Compliance Requirements

## Compliance Requirement: Procurement and Suspension and Debarment

N.C.G.S. 143-129 requires the solicitation of bids on construction or repair work that is for more than \$500,000 or purchases that are more than \$90,000.

N.C.G.S. 143-131 requires that all contracts for construction or repair work or for the purchase of apparatus, supplies, materials or equipment involving \$30,000 or more, but less than the limits of N.C.G.S. 143-129 shall have informal bids. The contract should be awarded to the lowest qualified bidder.





# 14 Compliance Requirements

## Compliance Requirement: Procurement and Suspension and Debarment

Grantees are prohibited from contracting with or making subawards to parties that are suspended or debarred or whose principals are suspended or debarred.

Federal Debarment List – [www.sam.gov](http://www.sam.gov)

State Debarment List - [www.doa.state.nc.us/PandC/actions.aspx](http://www.doa.state.nc.us/PandC/actions.aspx)





# 14 Compliance Requirements

## Compliance Requirement: Procurement and Suspension and Debarment

### Key activities reviewed:

- Grantee's procurement policies and guidelines.
- Documentation to verify that formal or informal bids were received and that award was given to the lowest bidder or otherwise justified.
- Documentation that grantee researched to verify that vendors were not suspended or debarred.





# 14 Compliance Requirements

## Compliance Requirement: Program Income

Program income is gross income received that is directly generated by the federally funded project during the grant period. Examples are income from fees for services performed, sale of commodities or items fabricated under a grant agreement and rental income from real property.

Key activity reviewed:

- Program income is properly deducted from program outlays.







# 14 Compliance Requirements

## Compliance Requirement: Real Property Acquisition and Relocation Assistance

The requirements for real property acquisition and relocation assistance are found at 49 CFR part 24, Uniform Relocation Assistance and Real Property Acquisition Regulations for Federal and Federally-Assisted Programs.

Property acquired must be appraised by qualified independent appraisers. All appraisals must be examined by a review appraiser to ensure acceptability. After acceptance, the review appraiser certifies the recommended or approved value of the property for establishment of the offer of just compensation to the owner.





# 14 Compliance Requirements

## Compliance Requirement: Real Property Acquisition and Relocation Assistance

### Key activities reviewed:

- Review the appraisal, negotiation and relocation documents to verify requirements were followed properly.





# 14 Compliance Requirements

## Compliance Requirement: Reporting

The grant agreement defines types of reports and frequency of reports to be submitted to the NCDOT Public Transportation Division (PTD). These reports are used by PTD to complete their program reporting requirements into the federal reporting systems.





# 14 Compliance Requirements

## Compliance Requirement: Reporting

### Key activities reviewed:

- Reports are submitted as required in the grant agreement. PTD should not reimburse expenditures unless a report is submitted with the invoice/claim.
- Reports agree with general ledger and trip summary reports.
- DBE reports are submitted to PTD and are complete and accurate.
- For Non-Governmental entities, reports are submitted into the NCGrant system by deadlines according to the applicable level of funding.







# 14 Compliance Requirements

## Compliance Requirement: Subrecipient Monitoring

- A pass-through entity is responsible for monitoring the subrecipient's use of Federal funds through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations and the provisions of contract or grant agreements and that performance goals are achieved.





# 14 Compliance Requirements

## Compliance Requirement: Subrecipient Monitoring

### Key activities reviewed:

- If funds are passed down to a subrecipient, an agreement existed between the grantee and the subrecipient.
- The grantee identified to the subrecipient the CFDA title and number, award name, name of the awarding state and federal agency and the applicable compliance requirements.
- The grantee monitored the subrecipient's use of funds through reporting, site visits, regular contact or other means to provide reasonable assurance that funds were administered in compliance with laws and regulations.





# 14 Compliance Requirements

## Compliance Requirement: Special Tests & Provisions

These requirements are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. They are requirements that have not been addressed in the previous 13 Compliance Requirements.





# Who Monitors The Grantee?

**PTD Mobility Development Specialists**

**PTD Financial Management Unit**

**PTD Security and Safety Unit**

**PTD Procurement Officer**

**NCDOT Office of Inspector General (OIG)**

**Federal Transit Administration (FTA)**







## How Does Monitoring Occur?

Desk Review of documentation scanned in Partner Connect and requested additional documentation.

Site visit and review by PTD staff and/or NCDOT OIG staff.

Site visit by FTA as a part of a Triennial Review.





## Resolving Issues

Issues discovered by NCDOT OIG require resolution from the grantee. A report will be issued to the grantee identifying the issue and the required response due date. PTD will be copied on all issues and responses from the grantee.





# NCDOT OIG Risk Approach

*Which grantee gets audited/reviewed?*

1. Direct allegation or discovery of misuse of funds.
2. Request of PTD.
3. Completion of OIG's audit plan. Program audit frequency is based upon the dollar value of grant awards of programs. Most PTD programs will be audited once every 3 years. Programs audited every 2 years are the Regional & New Starts and Elderly Persons and Persons with Disabilities (CFDA 20.513). Programs audited every year are SMAP, ROAP and Community Transportation (CFDA 20.509).





# NCDOT OIG Risk Approach

*Number of grantees audited per program (approximate numbers).*

- SMAP (9 each year)
- ROAP (6 each year)
- Community Transportation (9 each year)
- Regional & New Starts (1 every 2 years)
- Elderly Persons and Persons with Disabilities (2 every 2 years)
- All other PTD programs (1 to 2 every three years)







# Contact Details

**Wayne Rogers - Deputy Inspector General**

**wrogers1@ncdot.gov**

**919-707-4597**





# Questions?

